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BUDGET ESTIMATES FOR THE BIENNIUM 1996-1997

Revised budget estimates for the biennium 1996-1997

Report of the Executive Director

SUMMARY

The revised budget estimates for the biennium 1996-1997 for the United Nations Office for Project Services, contained in the present report have been reviewed and approved by the UNOPS Management Coordination Committee (MCC), and reviewed by the Advisory Committee on Administrative and Budgetary Questions. The report explains changes, endorsed by the United Nations Board of Auditors, that UNOPS has made in its reporting procedures to enhance the transparency of compensation paid to UNDP for services provided to UNOPS. It also provides justification for an increase of less than 1 per cent over the approved biennial estimates, the full amount of which UNOPS expects to be covered by its income. Finally, the report provides an update on UNOPS staffing arrangements. The Executive Board may wish to take note of the changed reporting procedures and to approve the revised budget estimates for the 1996-1997 biennium in the amount of \$65,444,000.

I. INTRODUCTION

1. The Executive Director submitted the UNOPS revised budget estimates for the biennium 1994-1995 and the budget estimates for the biennium 1996-1997 under document DP/1995/60. Following a review by the Advisory Committee on Administrative and Budgetary Questions (ACABQ) and after taking note of the ACABQ report (DP/1995/45), the Executive Board, in its decision 95/31, approved the revised budget estimates for the biennium 1994-1995 in the amount of \$58,439,000 and the budget estimates for the biennium 1996-1997 in the amount of \$61,428,900. Both estimates contained staffing resources totalling 244 established posts: 91 Professionals and 153 in the General Service category. To finance the estimated administrative expenditures, the Executive Director projected (DP/1995/60) total income of \$59,254,000 for the biennium 1994-1995 and \$61,519,000 for the biennium 1996-1997.

2. In the biennium ended 31 December 1995, UNOPS earned \$59,368,959 (\$28,943,091 in 1994 and \$30,425,868 in 1995). Actual administrative expenditures totalled \$55,614,692: \$27,926,628 in 1994 and \$27,688,064 in 1995. Details of total actual expenditures are given in table 2. Thus, in the biennium 1994-1995, UNOPS income was \$3,754,267 greater than its administrative expenditures. Compared to income projections and budget estimates, actual income earned by UNOPS was \$114,959 greater than projected (\$59,368,959 versus \$59,254,000) while actual administrative expenditures were \$2,824,308 less than estimated (\$55,614,692 versus \$58,439,000). Administrative expenditures in 1995 were less than projected, primarily as a result of end-of-year concern about total delivery and income, which resulted in the cancellation or postponement of some expenditures - including the staffing of vacant posts and upgrading of computers - that would otherwise have been incurred in 1995.

3. The Executive Director is pleased to report that in the first year of its existence as a separate entity, UNOPS was able to demonstrate the validity of the self-financing principle. Projections of income and the anticipated administrative expenditures proved to be reassuringly accurate. The UNOPS financial management model, introduced in 1995 and explained in document DP/1995/60, continues to be applied successfully, notably with regard to the management of staff-related costs mentioned in paragraph 2 above.

II. REVISED ESTIMATED INCOME AND ADMINISTRATIVE EXPENDITURES FOR THE BIENNIUM 1996-1997

A. Changes in reporting procedures

4. UNOPS makes payments to UNDP country offices to compensate them for additional costs they incur while providing services on its behalf. Previously, these amounts were reported as a reduction of income, rather than as an addition to administrative expenditures. Had UNOPS reported those payments as part of its administrative expenditures, both the income and the administrative expenditures would have been higher by the amount paid to the country offices. The net financial result is nil, as the two figures offset each other, but reporting them explicitly enhances the transparency of UNOPS financial activity.

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This procedure will be followed starting from the 1996-1997 biennium, and has been endorsed by the United Nations Board of Auditors.

B. Income

5. Total income for the biennium is projected at \$67,189,000: \$59,689,000 from project implementation; \$6,000,000 from services to the International Fund for Agricultural Development (IFAD); \$1,400,000 from interest income; and \$100,000 from accounting services provided to the Programme of Assistance to the Palestinian People (PAPP).

6. The projections of income are shown in table 1 and were made following the methodology applied in the past. The revised estimates total \$67,189,000, or \$5,670,000 more than the \$61,519,000 projected in document DP/1995/60. The difference is mainly due to a change in procedures for recording: (a) payments made to UNDP country offices for services on behalf of UNOPS (see para. 4) and (b) interest on investments of the unspent income, including the UNOPS operational reserve. This is explained below.

1. Income from project implementation

7. Most of UNOPS income derives from the implementation of projects, which in turn depends on the size of the UNOPS portfolio. As shown in table 1, income from the implementation of projects in 1995 (\$26,623,000) was 88 per cent of the total income of \$30,426,000. The total portfolio for the 1996-1997 biennium (total of budgets of projects already accepted and expected to be accepted by UNOPS for implementation) is projected at \$1,288,443,000. The Executive Director notes that this is a potentially encouraging development which, if sustained, will result in the growth of the UNOPS portfolio beyond the plateau of approximately \$1 billion projected in document DP/1995/60.

8. As noted in paragraph 4, in the biennium 1994-1995, UNOPS transferred to UNDP a total of \$3,084,447 to compensate country offices for services performed on its behalf: \$1,314,240 in 1994 and \$1,770,207 in 1995. In line with the changed reporting procedure outlined in that paragraph, projections of income from project implementation for the biennium 1996-1997 have been made on a gross basis, with estimated transfers to UNDP country offices totalling \$3.5 million, or approximately \$1.75 million per year.

2. Interest income

9. Prior to its separation from UNDP in January 1995, interest on the investment of unspent OPS income accrued to UNDP. This interest, totalling \$683,727 in 1995, now accrues to UNOPS. It is estimated that approximately \$700,000 per year, or an amount similar to that earned in 1995, will be earned in 1996 and 1997, or a total of approximately \$1.4 million in the biennium.

C. Administrative expenditures

10. The revised estimates of administrative expenditures for the biennium 1996-1997 total \$65,444,000, or \$4,015,000 greater than the \$61,429,000 estimated in document DP/1995/60. Of this increase, \$3.5 million is accounted for by the reporting of payments to country offices as a separate line under the administrative budget. Consequently, the actual increase amounts to \$0.5 million, less than 1 per cent over the original approved estimate. Details of the revised estimates are provided in table 2. Explanations for these increases follow.

1. Reimbursement to UNDP for services provided
by UNDP country offices

11. As can be seen in table 2, UNOPS estimates payments to be made to UNDP country offices to total \$3.5 million over the biennium, or \$1.75 million per year.

2. Reimbursement for central services

12. Most of the essential groundwork for a revised agreement regarding compensation payable by UNOPS to UNDP for central services has been completed; the agreement will be finalized before the end of the year. Pending the finalization of the agreement, the revised budget estimates contain the same amount as that provided for in document DP/1995/60. However, in consultation with UNDP management, and with the intent of enhancing the transparency of such arrangements, a decision was made to have a separate agreement with the Division for Audit and Management Review (DAMR) to cover internal audit services to be provided by DAMR and the costs thereof. The agreement calls for a budget of approximately \$800,000 per year, to which UNOPS has agreed and for which it will reimburse UNDP based on actual costs incurred by DAMR. Therefore, an amount of \$1.6 million is being provided for the biennium under a separate line.

3. Other increases

13. Some other adjustments were made to increase various objects of expenditure based on expenditure patterns experienced in the biennium 1994-1995 and to reflect recent decisions of the Executive Director. The most significant increases are: \$100,000 for subcontracts; \$300,000 for rent and maintenance; and \$100,000 for computer hardware. These adjustments were made to provide funds for such activities as: the production of videos and published material for informational purposes, at a cost of approximately \$100,000 per year under subcontracts; the alterations to the conference room facilities in UNOPS headquarters premises, at an estimated cost of \$190,000 under rent and maintenance; and additional funds required to maintain UNOPS competitiveness by upgrading some 200 computers (150 in 1996 and 50 in 1997), at a cost of approximately \$3,200 each.

4. Staffing resources

14. As mentioned in paragraph 1, the Executive Board approved a total of 244 established posts for UNOPS: 91 Professionals and 153 in the General Service category.

15. Table 3 provides details of the staffing table and how the posts are filled. A total of 21 staff members have been recruited against established posts under the activities of limited duration (ALD) modality. The retention or abolition of these posts has no financial impact on UNOPS of either a positive or negative nature, since UNOPS, unlike other United Nations organizations, does not have a core budget which funds posts. The abolition of these posts could, however, restrict UNOPS ability to attract and/or accept candidates for certain assignments from staff within UNOPS and elsewhere in the United Nations system who are holding 100 and 200 series contracts. UNOPS is currently awaiting a report from DAMR regarding the ALD contracting modality, and consequently recommends at this time that the question of post abolition be kept under advisement until a more complete assessment of the implications is available.

III. EXECUTIVE BOARD ACTION

16. The Executive Board may wish to:

1. Take note of the report of the Executive Director on the revised budget estimates for the biennium 1996-1997 (DP/1996/36);
2. Take note of the changes in financial reporting procedures that have been introduced with effect from the 1996-1997 biennium; and
3. Approve the revised budget estimates for the 1996-1997 biennium in the amount of \$65,444,000.

Table 1. Revised projections of project expenditure (UNOPS delivery) and
UNOPS income for the biennium 1996-1997
(In thousands US dollars)

	Project budgets	Portfolio 1996-1997	Estimated delivery	Estimated income
Year 1996				
Project budgets				
Budgets of projects already accepted a/	451,012			
Add:				
Rephasing of 1995 unspent budgets b/	155,410			
Estimated value of 1996 budgets of projects to be accepted from 1 April to 31 December 1996	150,000			
Total estimated 1996 budgets at "peak level"	756,422	756,422		
Estimated 1996 delivery (60% of peak budgets)	453,853		453,853	
Unspent 1996 budgets (total peak budgets minus delivery)	302,569			
Estimated income				
On delivery (6.5 per-cent of estimated delivery)				29,500
From services to IFAD c/				3,000
Interest on accumulated unspent income c/				700
From services to the Palestinian Programme (PAPP) c/				50
Total estimated income for year 1996				33,250
Year 1997				
Project budgets				
Budgets of projects already accepted a/	93,169	93,169		
Add:				
Rephasing of 1995 unspent budgets b/	38,852	38,852		
Rephasing of 1996 unspent budgets (80 percent of \$302,569)	242,055			
Estimated value of 1997 budgets of projects to be accepted from 1 April 1996 to 31 December 1997	400,000	400,000		
Total estimated 1997 budgets at "peak level"	774,076			
Estimated 1997 delivery (60% of peak budgets)	464,446		464,446	
Unspent 1997 budgets (total peak budgets minus delivery)	309,631			
Estimated income				
On delivery (6.5 per-cent of estimated delivery)				30,189
From services to IFAD c/				3,000
Interest on accumulated unspent income c/				700
From services to the Palestinian Programme (PAPP) c/				50
Total estimated income for year 1997				33,939
Totals 1996-1997		1,288,443	918,299	67,189

Notes:

a/ Source: Funds Control System reports as at 31 March 1996.

b/ Total unspent 1995 budgets was \$194,262. This amount was rephased 80 percent to 1996 and 20 percent to 1997.

c/ Income from these sources are projected to remain at the same levels as in 1995.

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Table 2. Revised budget estimates for the biennium 1996-1997
(In thousands of US dollars)

Object of expenditure	Approved estimates 1996-1997 a/	Increase (decrease)	Revised estimates 1996-1997	Actual expenditures 1994-1995
Salaries	23,000	(600)	22,400	21,040
Common staff costs	13,000	(200)	12,800	11,704
Temporary assistance	2,000	0	2,000	2,844
Activities of limited duration (ALD)	2,500	800	3,300	1,349
Consultants	1,300	0	1,300	1,100
Overtime	250	0	250	285
Other staff travel	1,250	0	1,250	1,070
Contractual printing	90	30	120	40
Translation	50	0	50	7
Systems development contracts	1,000	0	1,000	745
Subcontracts	700	100	800	644
Rent and maintenance	4,400	300	4,700	4,509
Utilities	200	0	200	202
Rent and maintenance of equipment	200	0	200	189
Communications	1,900	0	1,900	1,592
Hospitality	10	0	10	6
Miscellaneous services	450	0	450	374
Office supplies	500	0	500	420
Office furniture and equipment	115	85	200	195
Microcomputers hardware and software	700	100	800	583
Transportation equipment	20	0	20	30
Reimbursement to NYCS/ICC	250	(100)	150	14
Subtotal	53,885	515	54,400	48,942
Reimbursement to UNDP:				
Services provided by UNDP/DAMR b/	0	1,600	1,600	
Other UNDP central services c/	7,544	(1,600)	5,944	
Subtotal - central services	7,544	0	7,544	6,673
Services provided by UNDP country offices d/	0	3,500	3,500	
Total - Reimbursement to UNDP	7,544	3,500	11,044	6,673
Grand total	61,429	4,015	65,444	55,615

Footnotes:

a/ As per Executive Board decision 95/31.

b/ The cost of these services was included in the sum of \$7,544,000, provided for under Central services. UNOPS has entered into a separate agreement with DAMR, wherein the costs of services provided by DAMR are estimated at \$800,000 per year.

c/ In document DP/1995/60, the amount of \$7,544,000 was provided for under Reimbursement for central services. The reduction of \$1.6 million is to adjust for internal audit costs, which are now provided for separately. (See footnote b)

d/ In the past, OPS treated the cost of these services as a reduction of income. To improve transparency, payments to UNDP country offices for services provided on behalf of UNOPS will be recorded as part of UNOPS administrative expenditures. Income will also be reported gross.

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Table 3. UNOPS current staffing table

Category/ Post level	Established posts a/	Posts reclass- ified	Revised staffing table
ASG	1		1
D-2	1		1
D-1	9		9
P-5	31		31
P-4	29		29
P-3	16	1	17
P-2/1	4	(1)	3
Subtotal	91	0	91
General Service			
Principal level	48	2	50
Other level	105	(2)	103
Subtotal	153	0	153
Total	244	0	244

Filled by 100/200 series staff	Filled by 300 series staff (ALD)	Under recruitment	Net vacant posts	Total
1				1
0		1		1
7			2	9
23	1	3	4	31
16	11	2		29
11	6			17
0	3			3
58	21	6	6	91
47	0	2	1	50
84	0	17	2	103
131	0	19	3	153
189	21	25	9	244

a/ As per Executive Board decision 95/31
